in prospectus and fraudulent inducement to persons investing money is too cosmetic; and

(d) if so, whether Government are considering to strengthen this provision?

THE MINISTER OF STATE OF THE MINISTRY OF COMPANY AFFAIRS (SHRI PREM CHAND GUPTA): (a) to (d) The Ministry placed a Concept Paper on Company Law on the website of the Ministry on 04-08-2004 with a view to obtain the views of stakeholders and general public on the proposed revision of the Companies Act, 1956. Many organizations and individuals indicated their comments. These have been placed before an Expert Committee headed by Dr JJ Irani to advise the Government on the revision of the Companies Act, 1956. The work of the Committee is in progress. The report of the Expert Committee, which would cover various aspects of the legal framework for corporate entities and remedies for violation of the same including provisions of penalities, is expected to be available with the Government by May 2005

Enforcement and Genesis of VAT System

4198. SHRI RAM NATH KOVIND: Will the Minister of FINANCE be pleased to state:

(a) whether Value Added Tax (VAT) regime has been enforced *w.e.f.* 1st April, 2005;

(b) benefits expected to accrue to consumers under the VAT regime;

(c) which other countries adopted VAT and years of their respective adoption; and

(d) when did Government first proposed to introduce VAT in India and how the concept proceeded henceforth, particularly the details of the Committees/Study Group/Task Force constituted, if any, their constituents, and summary of the observations/recommendations made by each of these entities?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI S.S. PALANIMANICKAM): (a) VAT has been introduced in 21 States/Union Territories *w.e.f.* 1st April, 2005.

(b) VAT is a simple, transparent, multi-stage tax with input tax credit, which eliminates cascading of taxes and avoids consequent price escalation. Further, as decided by the Empowered committee of State Finance Ministers, it is expected that a number of State level taxes on

purchase or sales of goods like State sales tax, turnover tax, purchase tax, additional sales tax, surcharge, entry tax (not in lieu of Octroi) will be subsumed in VAT. Hence, VAT will decrease multiplicity of taxes and ultimately be beneficial to common public.

(c) Information is being collected and will be laid on the Table of the House.

(d) Under Entry 54 of List II (State List) in the Seventh Schedule to the Constitution of India, tax on sale or pruchase of goods is a State subject. A process of debate and discussion for the reform of domestic trade taxes was initiated in 1994 by the State/Union Territory finance Ministers. Serious discussions to introduce a Value Added Tax (VAT), replacing the existing Sales Tax systems of the States, were initiated at a meeting of the State/ Union Territory Chief Ministers called by Dr. Manmohan Singh, the then Union Finance Minister, in December, 1995. In a subsequent meeting of Chief Ministers held on the 16th November, 1999, it was decided that a State level VAT should be introduced. This was reiterated in subsequent conferences of the Chief Minsiters held on the 22nd June, 2000 and 5th July, 2001. An empowered Committee of State Finance Ministers was also constituted on the recommendation of Chief Ministers in July, 2000, *inter-alia,* to monitor the process of introduction of VAT. In the meeting of the Empowered Committee of State Finance Ministers held on the 18th June, 2004, there was broad consensus to implement State level VAT *w.e.f.* the 1st April, 2005.

Handling of NPAs of farmers and small businessmen

4199. SHRI S.M. LALJAN BASHA: Will the Minister of FINANCE be pleased to state:

(a) the steps being taken by Government to carefully monitor the handling of NPAs of farmers and small businessmen in the country;

(b) whether it is a fact that the banks have been callous to the pleas of small businessmen to fairly settle their NPAs;

(c) whether it is also a fact that the banks have drawn distinctions between large NPAs exceeding hundreds of crores and small NPAs;

(d) to what extent is the RBI responsible for the State of affairs which works against the small businessmen in the matter of NPAs; and

(e) steps proposed to review the specific issue of NPAs affecting small and medium enterprises?